CEO

6428

CITIZENS FOR ECONOMIC OPPORTUNITY
Corporate Responsibility Campaign

H.B. 6428

My name is Karen Schuessler and I am the Director of Citizens for Economic Opportunity (CEO). CEO is a coalition of community and labor groups addressing health care reform and corporate responsibility.

Citizens for Economic Opportunity supports H.B. 6428 and believes that if an organization with 100 or more employees receives financial assistance from a state agency and lays off, reassigns, or transfers out of state fifty or more employees for the period during which the business organization receives such financial assistance, the full amount of financial assistance plus a penalty of 5% of that amount should be repaid to the providing agency. These organizations include the Department of Economic and Community Development, the Connecticut Development Authority and Connecticut Innovations.

Connecticut already has some clawbacks. However, the exact provisions and terms of the contract varies for each company. Clawbacks are handled on a case by case basis.

According to Connecticut Voices for Children, there was a projected $305.6 million revenue loss in FY 2009 from corporate business tax credits. Facing a huge budget deficit, Connecticut cannot afford to lose this precious revenue. That is why this legislation is so important. As an example, in a December, 2010 interview with the Hartford Business Journal and at a recent Chamber of Commerce breakfast, the CEO of Aetna, Mark Bertolini, said that Connecticut's business climate was "not a very good one," and indicated if the business climate didn't change it could affect their future workforce decision. In the article he is quoted as saying, "We are committed here as long as it's a fair and competitive business climate, and we are prepared to act if it does not become a fair and competitive business climate."

Despite Mr. Bertolini's concerns that Aetna may have to leave the state because of an unhealthy business climate, insurance companies enjoy a number of tax benefits that should be paid back if they choose to leave. The law in Connecticut requires domestic insurance companies to pay an annual insurance premium tax but it also authorizes numerous credits companies may claim against this tax including contributing money toward a charitable purpose (the Neighborhood Assistance Act) and investing in real estate development (Urban and Industrial Sites Reinvestment Program). The premium tax is 1.75% of the total net direct premiums received during the proceeding calendar year from policies written in Connecticut. The law also qualifies insurance companies for a variety of property tax exemptions when they develop facilities in targeted areas. Insurance companies also qualify for economic development loans.

Insurance companies enjoy other advantages from being headquartered in Connecticut. According to the Connecticut Insurance and Financial Services cluster located within the Department of Economic

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and Community Development, insurance companies benefit from the state having the highest U.S. concentration of insurance jobs in the United States which gives them a highly educated and skilled labor pool to choose from. It is also a good environment for insurance companies because Connecticut has a high per capita income. Connecticut insurers are also located between two financial centers, New York and Boston which is an advantage.

According to the State of Connecticut, Department of Revenue Services in 2009, insurance companies received $39,364,442 in tax credits. This includes a variety of tax credits including credits for electronic data processing, neighborhood assistance, film production etc. In addition, Aetna received a loan of $6 million from the Department of Economic and Community Development that was still active on their June 30, 2010 annual report.

CEO is urging there to be more strict enforcement of clawback legislation. In this time of great fiscal challenge and record deficits at the local, state and federal levels, we need legislation to protect taxpayers from having to foot the bill if companies move to another state. It is not fair that tax breaks are so readily given to corporations when a senior citizen on a fixed income or a disabled person has to jump through hoops to receive vital and life sustaining services.

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